

NATIONAL DAIRY MARKET AT A GLANCE

CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (9/16)
BUTTER: Grade AA closed at \$1.7250. The weekly average for Grade AA is \$1.7150 (+.0250).

CHEESE: Barrels closed at \$1.5575 and blocks at \$1.5950. The weekly average for barrels is \$1.5075 (+.0175) and blocks, \$1.5720 (+.0639).

BUTTER: The cash butter market at the CME continues to fluctuate higher and lower around the \$1.70 level. The current firm trend has butter closing the week at \$1.7250. Cream supplies for butter needs vary across the country from slightly less available to slightly heavier. Class II demand is declining which is typical for this time of the season. Ice cream production is edging lower and other Class II cream based products are gaining momentum. Butter producers are willing to take some additional cream if they feel prices are reasonable. Some of the least damaged areas in Katrina's path are getting power and services restored. Some stores are being restocked and getting open for business. Overall butter demand for both retail and food service is settling into typical early fall patterns. Some retail feature activity continues to be reported with food service orders slightly slower following the summer vacation season.

CHEESE: The cheese market is firm. Current cash cheese prices at the Chicago Mercantile Exchange have partially recovered though remain well below the 2005 daily peak levels of \$1.7575 per pound for blocks and \$1.7250 for barrels back in January. Current cheese supplies are tight to adequate with few spot loads left in the system. Natural cheese orders are improving with bulk buyers needing to plan orders to have supplies when needed. Mozzarella sales have rebounded after languishing for 5-6 months. Process interest is steady to generally lower seasonally. Cheese production is steady to lower. Bottlers continue to pull extra milk supplies away from cheese operations. Increased cheese yields partially offset the reduction in the cheese milk supply.

FLUID MILK: Fallout from Katrina continues to impact parts of the dairy industry. Reports indicate that all producer milk in the affected area is again being picked up from the farm. Class I sales in the region are increasing as power is restored and stores reopen. Reduced petrochemical production cut resin output, affecting bottlers using plastic bottles for finished products. Hurricane Ophelia is now affecting demand in the Carolinas. Also, the usually larger fall milk shipments to supplement supplies in Florida and the Southeast normally tighten the tanker truck/trucker supply pool. This is without the addition of water imports into some areas. Increases in fuel and trucking costs are also impacting the industry. Bottlers across the country are getting a better handle on the actual milk volumes needed for school accounts. Bottlers are also generating larger volumes of cream from standardizing operations. Cream interest is generally slower as many ice cream operations reduce schedules seasonally. In the Northeast, milk intakes

are steady to heavier. Milk intakes are lower in the Central and through much of the Southeast. In Arizona, milk intakes have rebounded under near ideal September weather. Volumes are steady in New Mexico as well as much of California. Receipts are starting to rebound in Idaho and Utah, though slipping in the Pacific Northwest. Manufacturing milk demand is improving with more operators interested in purchasing supplemental volumes to keep plants full and to fill orders.

DRY PRODUCTS: The whey market is steady to firm. Demand is mixed, particularly as some buyers balk at current asking prices and are using up inventory before making purchases. Others, both domestically and internationally, are willing to make new commitments. Orders placed are for future delivery as fall production is typically lighter. Lactose prices are unchanged to higher on a firm market. Reports indicating potential supply shortages encouraged some buyers to cover their needs early. The NDM market is irregular, generally steady to firm. Demand is generally slow to fair and often better for exports of NDM or skim milk. Production is steady to lower seasonally. High heat NDM supplies are short of needs. CCC has offered for sale about 5 million pounds of older government owned NDM, for both unrestricted and restricted (feed) use. Offers are due September 19. The buttermilk market is steady. Demand for dry and condensed buttermilk is light. Reduced condensed interest from ice cream accounts is causing additional volumes to be dried. The WPC market is weak. Offerings are heavy for the light interest. Declining prices also have buyers holding back on purchases seeking possible lower prices and from feed buyers waiting for their results from the latest CCC invitation to sell NDM.

CCC: During the week of September 12-16, there was no dairy price support activity.

SEPTEMBER MILK SUPPLY AND DEMAND ESTIMATES (WASDE): Milk production in 2005 and 2006 is forecast higher than last month. The September estimate for 2005 is 3.2% above 2004. Slightly faster growth is forecast for the cow herd and output per cow. Fat-basis commercial demand is expected to be stronger than forecast last month both for 2005 and 2006, providing support for increased forecasts of butter and cheese prices in 2005 and butter prices in 2006. Commercial use of skim solids is also increased as demand [growth] for cheese and other products coupled with continued strength in exports is expected. The nonfat dry milk price forecast is raised for both 2005 and 2006. The whey price forecast is also raised on strength in exports. As product prices are forecast higher, Class price forecasts are raised for both 2005 and 2006. The all milk price for 2005 is forecast higher at \$15.05 - \$15.25, and the 2006 forecast is raised to \$13.10 - \$14.10.

****SPECIALS THIS ISSUE****

BUTTER AND CLASS III & IV MILK FUTURES (PAGE 7)
 INTERNATIONAL DAIRY MARKET NEWS (PAGE 8)

SEPTEMBER MILK SUPPLY AND DEMAND ESTIMATES (PAGES 9 - 10)
 DAIRY GRAPHS (PAGE 11)

**CHICAGO MERCANTILE EXCHANGE
 CASH TRADING**

PRODUCT	MONDAY SEPTEMBER 12	TUESDAY SEPTEMBER 13	WEDNESDAY SEPTEMBER 14	THURSDAY SEPTEMBER 15	FRIDAY SEPTEMBER 16	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.4900 (N.C.)	\$1.4900 (N.C.)	\$1.5000 (+.0100)	\$1.5000 (N.C.)	\$1.5575 (+.0575)	(+.0675)	\$1.5075 (+.0175)
40# BLOCKS	\$1.5500 (+.0200)	\$1.5525 (+.0025)	\$1.5650 (+.0125)	\$1.5975 (+.0325)	\$1.5950 (-.0025)	(+.0650)	\$1.5720 (+.0639)
BUTTER GRADE AA	\$1.7000 (+.0050)	-----	\$1.7200 (+.0200)	-----	\$1.7250 (+.0050)	(+.0300)	\$1.7150 (+.0250)

CHEESE: carload = 40,000-44,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. *Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM NOTE: CME NDM on Page 2.

CHICAGO MERCANTILE EXCHANGE

MONDAY, SEPTEMBER 12, 2005

CHEESE -- SALES: NONE; BIDS UNFILLED: 9 CARS 40# BLOCKS: 3 @ \$1.5500, 1 @ \$1.5450, 1 @ \$1.5325, 4 @ \$1.5300; OFFERS UNCOVERED: NONE
 BUTTER -- SALES: 2 CARS GRADE AA @ \$1.7000; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 4 CARS GRADE AA: 1 @ \$1.7100, 2 @ \$1.7150, 1 @ \$1.7200

TUESDAY, SEPTEMBER 13, 2005

CHEESE -- SALES: 2 CARS BARRELS @ \$1.4900; BIDS UNFILLED: 2 CARS BARRELS @ \$1.4900; 5 CARS 40# BLOCKS: 3 @ \$1.5525, 2 @ \$1.5500; OFFERS UNCOVERED: NONE

WEDNESDAY, SEPTEMBER 14, 2005

CHEESE -- SALES: NONE; BIDS UNFILLED: 2 CARS BARRELS: 1 @ \$1.5000, 1 @ \$1.4900; 4 CARS 40# BLOCKS: 1 @ \$1.5650, 1 @ \$1.5625, 1 @ \$1.5600, 1 @ \$1.5500; OFFERS UNCOVERED: NONE
 BUTTER -- SALES: 19 CARS GRADE AA: 1 @ \$1.7000, 2 @ \$1.7100, 1 @ \$1.7200, 1 @ \$1.7100, 1 @ \$1.7075, 1 @ \$1.7050, 1 @ \$1.7100, 1 @ \$1.7125, 2 @ \$1.7150, 1 @ \$1.7175, 4 @ \$1.7200, 1 @ \$1.7175, 1 @ \$1.7200, 1 @ \$1.7225; BIDS UNFILLED: 3 CARS GRADE AA: 2 @ \$1.7000, 1 @ \$1.6900; OFFERS UNCOVERED: 3 CARS GRADE AA: 1 @ \$1.7200, 1 @ \$1.7250, 1 @ \$1.7300

THURSDAY, SEPTEMBER 15, 2005

CHEESE -- SALES: 1 CAR 40# BLOCKS @ \$1.5975; BIDS UNFILLED: 4 CARS 40# BLOCKS: 2 @ \$1.5725, 2 @ \$1.5650; OFFERS UNCOVERED: NONE

FRIDAY, SEPTEMBER 16, 2005

CHEESE -- SALES: 3 CARS BARRELS: 1 @ \$1.5450, 1 @ \$1.5500, 1 @ \$1.5550; 2 CARS 40# BLOCKS: 1 @ \$1.5975, 1 @ \$1.5950; BIDS UNFILLED: 2 CARS BARRELS: 1 @ \$1.5575, 1 @ \$1.5300; OFFERS UNCOVERED: NONE
 BUTTER -- SALES: 3 CARS GRADE AA: 1 @ \$1.7100, 1 @ \$1.7200, 1 @ \$1.7250; BIDS UNFILLED: 4 CARS GRADE AA: 2 @ \$1.6950, 2 @ \$1.6500; OFFERS UNCOVERED: 1 CAR GRADE AA @ \$1.7500

CME CASH NONFAT DRY MILK: Extra Grade closed the week at \$0.9625 and Grade A at \$0.9825. (The last price change occurred March 30.) The weekly average for Extra Grade is \$0.9625 (N.C.) and Grade A is \$0.9825 (N.C.).

BUTTER MARKETS**NORTHEAST**

The butter market is little changed from the past several weeks. The cash price at the CME is still trading in a narrow range. Contacts are waiting for the typical fall increase in price, but so far, the price is having a hard time getting and staying above \$1.70. Demand for butter is mixed. Now that schools are back in session, retail sales are expected to improve, but overall demand is still rather lackluster. Stocks are more than adequate for current needs. Producers are busy making and packaging butter for fall/winter needs. Some of the least damaged areas in Katrina's path are getting power and services restored. Some stores are being restocked and getting open for business. Food service orders are settling back into post-Labor Day patterns. Sales of bulk butter f.o.b. East, are reported in a range from flat market to 3.0 cents over the CME price/average.

CENTRAL

The CME cash butter price continues to adjust and during the three recent trading sessions, has increased 3 1/2 cents to \$1.72 at midweek. Producers and handlers feel that the cash price will continue to adjust higher and lower, but maintain a level near the current price. Cream supplies have become more available to butter producers. It appears that Class II demand has dropped off, typical for this time of the year. In many instances, butter producers are taking advantage of the additional cream offerings. The additional offerings are what many producers were hoping for. Butter stocks have trailed year ago levels for the past 13 weeks or so, but are very close to surpassing last

year volumes. Butter demand is seasonally fair. Retail orders are stimulated by occasional feature activity. Food service orders have improved slightly this week as buyers return to the market following the Labor Day holiday weekend and the unofficial end of the summer vacation season. Bulk butter for spot sale is being reported in the flat - 2 cents per pound over various pricing basis.

WEST

Cash butter prices at the CME continue to gyrate both higher and lower near the \$1.70 mark. Prices closed today (9/14) at \$1.72. This is the highest they have been in a few weeks. Demand for prints is being called decent. Bulk orders are steady. Retail sales are shifting into fall patterns. Food service orders are mixed. A little less cream appears to be available in the market. Cream demand is also shifting to normal fall patterns. Ice cream interest is declining and cream cheese usage is up. Churns are willing to take some additional cream if they feel prices are reasonable. CME weekly butter stocks declined by only 1.25 million pounds. This is a very low number for this time of year. Stocks stand at 75.0 million pounds, compared to 80.8 last year. (The total quoted for last week was in error. The correct total should have been 76.2 million pounds.) Stocks have declined 21.2 million pounds in the last eight weeks this year compared to a decline of 30.0 million pounds for the same period last year. Bulk butter prices range from 2 cents under to 4 cents under based on the CME with various time frames and averages.

NASS DAIRY PRODUCT PRICES**U.S. AVERAGES AND TOTAL POUNDS**

WEEKENDING SEPTEMBER 10	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	BARRELS 38% MOISTURE			
	1.4515	1.4919	0.9691	1.6882	0.2942
	7,683,694	9,114,747	11,587,128	1,737,254	8,744,121

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

CHEESE MARKETS

NORTHEAST

Prices are mostly higher and the market tone is firming slightly. At the CME, cash price for 40# blocks has (through 9/12) moved higher each of the past three sessions while the price for barrels has held at \$1.4900 since September 1. Cheese output in the Northeast is mostly steady to lighter as surplus milk supplies are tighter now that Class I milk demand is getting back to school-year levels. However, some mozzarella producers are increasing output to keep pace with improving pizza sales. Cheese supplies are adequate for the fair to good demand. Retail sales are mostly steady while food service orders have slowed since Labor Day.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.5900-2.1100
Cheddar Single Daisies	:	1.5475-2.0225
Cheddar 40# Block	:	1.6475-1.9200
Process 5# Loaf	:	1.7000-1.9075
Process 5# Sliced	:	1.7200-1.9450
Muenster	:	1.6625-1.8625
Grade A Swiss Cuts 10 - 14#	:	2.4500-2.6500

MIDWEST

The cheese market is steady to firm. Tighter milk supplies associated with the reopening of schools have reduced current cheese production and spot availability. Current offerings are limited with "spec load" supplies already cleared. Lead times on new orders are steady to slightly longer than normal. Mozzarella is in balance to tight with production often fully committed for various periods. American variety producers are making less cheddar in favor of more colby and/or jack and flavored varieties such as pepper jack. Commercial process sales have slowed since the holiday. Some extra loads have been prepared/reallocated for CCC to send into Katrina affected areas. Suppliers are passing along notices of increases in fuel and film costs. Recent fuel cost increases make forecasting gift pack delivery charges more challenging. A recent bout of heat lowered current milk receipts. Cheese yields are steady to slightly larger.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.7100-1.9700
Brick And/Or Muenster 5#	:	1.9200-2.0575
Cheddar 40# Block	:	1.7600-2.2650
Monterey Jack 10#	:	1.9500-2.2650
Blue 5#	:	2.3525-2.6400
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.6850-2.3650
Grade A Swiss Cuts 6 - 9#	:	2.4300-2.9300

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

BUTTER : CHEESE

	:	
09/12/05	41,900	: 143,582
09/01/05	43,195	: 144,100
CHANGE	-1,295	: -518
% CHANGE	-3	: N.C.

WEST

Block cheese prices at the cash CME have increased 6 1/2 cents in the last five trading sessions to stand at \$1.5650. Western contacts feel that this sort of an increase is appropriate for this time of year with current supply/demand conditions. Sellers say that they are fully committed for their current production and are not able to take on new orders. Buyers are planning their fall purchase and promotion strategies at this time. Contacts are wondering if the market will be able to push higher as the fall progresses. Mozzarella sales are improving as all schools reopen for the fall term. Swiss sales are steady. Cheese production is at desired levels for the fall season. Plants are able to acquire additional milk if they need it and a number of operations are doing just that.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.6425-1.9000
Cheddar 40# Block	:	1.6275-1.9800
Cheddar 10# Cuts	:	1.8075-2.0275
Monterey Jack 10#	:	1.8175-1.9775
Grade A Swiss Cuts 6 - 9#	:	2.2500-2.7000

FOREIGN

Prices are steady to higher and the market tone is about steady. Supplies are adequate to meet the steady to slowly improving demand. Recent reports from the EU indicate that cheese production is increasing. Reports indicate that cheese output in the EU-15 during the first five months of 2005 totaled 2.82 million tons, 2.3% higher than a year ago and output for the EU-25 totaled 3.2 million tons, 1.4% more than a year ago.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
	:	:
Roquefort	: TFEWR	: -0-
Blue	: 2.6400-4.6300	: 1.9025-3.3925*
Gorgonzola	: 3.6900-6.0900	: 2.4150-2.4900*
Parmesan (Italy)	: TFEWR	: 3.3175-3.4250*
Romano (Italy)	: 2.1000-3.1900	: -0-
Provolone (Italy)	: 3.4400-6.0900	: 1.9050-2.1400*
Romano (Cows Milk)	: -0-	: 3.1000-5.2450*
Sardo Romano (Argentina)	: 2.8500-3.2900	: -0-
Reggianito (Argentina)	: 2.6900-3.2900	: -0-
Jarlsberg-(Brand)	: 3.1200-4.1500	: -0-
Swiss Cuts Switzerland	: -0-	: 2.4500-2.6500
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-
Swiss Cuts Austrian	: TFEWR	: -0-
Edam	:	:
2 Pound	: TFEWR	: -0-
4 Pound	: 2.1900-3.5600	: -0-
Gouda, Large	: TFEWR	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

* = Price change.

FLUID MILK AND CREAM

E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	209	0	253	0	309	0
SOUTHEAST STATES	94	0	91	0	55	0

Regional Milk Market Administrators announced the following, August 2005 uniform prices: Northeast \$15.84, Mideast \$14.94, Appalachian \$16.65, Southeast \$16.44, Florida \$17.89, and Western New York (a state order) \$15.16 at the base city or county in the orders. Milk production is showing more signs of rebounding in most of the East. Output in Katrina's wake is still disrupted by fuel, power, and feed shortage, but reports indicate that as of early this week all farmers were having their milk picked up. Contacts report that milk quality issues have been minimal and that the amount of milk and number of animals lost are not yet known. Hurricane Ophelia is bringing heavy rains to the Carolinas, which is causing some issues with power losses and milk transportation. In the Northeast, milk output is steady to slightly heavier as cooler weather prevails. Some areas of Upstate NY have been and are very dry. School lunch milk needs have settled into typical patterns and bottlers are canceling some loads. This is a typical pattern at this time of year. Surplus milk volumes are a little heavier, but easily handled. Florida continues to import milk, but volumes are down slightly as bottled milk sales slowed this week. Contacts feel that retail features, typical for early September, have "run their course." Elsewhere in the Southeast, bottled milk needs are picking back up as schools and stores reopen. Also, Katrina's disruption to that areas' petro-chemical industry may impact the supply/availability of resins used to make the plastic used to make milk containers. About the only area still impacted by flooding and no power is New Orleans and surrounding communities. The government has issued Invitation 001 to Announcement MX1 to sell to USDA between 12 and 24 million pounds of UHT milk for delivery in the last quarter of the year. This purchase, if they get successful bidders, is to help with the disaster relief and will pull quite a bit of additional milk away from manufacturing. More balancing plants in the Southeast are operating to help ease milk disposition problems. The condensed skim market is improving at some locations; steady at others. Prices are unchanged and offerings more than adequate to meet needs. However, the slightly improved demand is lessening the need to dry at some locations. The fluid cream market is a little weaker this week. Offerings have increased and demand has slowed in scattered locations. Contacts report that they are getting more loads to move and the so-called last minute demand is lacking. Spot prices are often lower as both the multiples and CME cash butter average declined. Cream cheese production is starting to improve and some suppliers received several spot orders for cream this week. Ice cream production is slowing along seasonal patterns. Consumption patterns have slowed at soft serve and "hand dip" stores, particularly along the Eastern Shore and "hurricane areas." Sour cream and dip production is starting to show a little improvement, but the loss of sales along the Gulf Coast hasn't helped. Churning activity is about steady.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	2.2308-2.3998
DELIVERED EQUIVALENT ATLANTA	-	2.2477-2.4336 M 2.2815-2.3322
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	2.1970-2.3660

PRICES OF CONDENSED SKIM, \$ PER LB SOLIDS

F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	- 1.0000-1.0700
NORTHEAST- CLASS III - SPOT PRICES	- 1.0800-1.1400

M I D W E S T

Class I demand is starting to close in on the regular volume needed for school and retail accounts. Milk supplies are noticeably tighter at midweek and handlers again need to do their normal fall milk scheduling to be able to cover their needs. Milk shipments into the Southeast from upper tier states continue. Some shippers are having more trouble in finding a tank truck and/or driver available to move product, typical for fall when larger volumes are often moving greater distances. Manufacturing milk interest is improved though supplies have tightened. The actual price paid by the milk buyer is generally higher, though net fob prices may be unchanged due to substantial fuel price increases/surcharges. Reported net spot

manufacturing prices range from around \$1.25 - 1.75, net fob over class. Resin supplies are an issue for some large users (bottlers) due to supply issues caused by Katrina, but others are not reporting a problem. Cottage cheese, dip, and sour cream production are all about steady at typical early fall levels. Ice cream production continues to wind down from summer levels. Cream demand and multiples are trending lower seasonally. Standardizing operations (bottlers) are also generating increased volumes. Milk intakes took a brief hit during the recent hot spell with temperatures again reaching well into the 90s for highs over the weekend. The fat and protein content did not seem as affected. Dry conditions continue to prevail over much of the upper Midwest. Continued producer concern over their hay/haylage inventories is causing many producers to continue to harvest alfalfa despite the increased likelihood of winterkill and/or chop additional corn acreage for silage.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	SEP 7 - 14	PREVIOUS YEAR
SLAUGHTER COWS	\$ 48.00- 54.00	\$ 54.00- 58.00
REPLACEMENT HEIFER CALVES	\$400.00-750.00	\$450.00-690.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	SEP 7 - 14	PREVIOUS YEAR
SLAUGHTER COWS	\$ 48.00- 57.00	\$ 56.00- 58.00

W E S T

The October 2005 Class 1 prices in CALIFORNIA range from \$15.56 in the north to \$15.83 in the south. The statewide average Class 1 price based on production is \$15.61. The average is \$0.34 higher than September 2005 but \$0.45 less than October 2004. CALIFORNIA milk output is mainly consistent with prior weeks with some areas seeing slight increases. Overall, bottled milk orders have steadied as demand has been more consistent on a week to week basis as buyers fine tune their needs. Conditions in the northern production areas are seasonally good and milk cows are not seeing much stress. Production is only slowly responding. In the Central Valley, milk supplies are steady and adequate for current plant demand. Some producers are buying additional milk to keep facilities full. Southern dairy plants are running as expected with additional milk available. There is not one processing area that is demanding more milk than others. The influence of better weather conditions is creating more milk supplies in some locations. Alfalfa hay harvest is reaching into the fourth cutting in the north and later cuttings continue in the south. Prices are higher and the quality is often lower than desired. Cooler temperatures are expected to bring improved quality. ARIZONA milk supplies are trending higher in response to better weather conditions that are near ideal for the season. Processing plants are in good balance. Bottled milk orders have stabilized with school orders steady and retail orders not changing much unless featured. NEW MEXICO milk production is holding mostly steady with recent weeks. Levels are less than expected and the effects of poor weather conditions linger in the herds. Cow numbers are increasing at existing locations and new facilities are being built in the state. Processing plants are active to process the backup of milk supplies that are not leaving the state. There are issues with tanker availability and shipping costs. Hay harvesting is between the fourth and fifth cuttings for most of the state. A majority of recently produced hay was rained on and the overall quality was not good. Prices are slightly lower and reflect quality. Western CREAM markets are steady to slightly weaker. Trading activity has increased for spot loads as more loads are appearing from bottling plants and less is being utilized in ice cream production. Cream is ending up at the butter churns and is welcomed as stocks are needed for later in the year needs. CME butter prices moved 3.5 cents higher over the past week and closed at \$1.7200 on Wednesday, September 14. Multiples are slightly lower and fall in the 120 to 133 range and vary depending on class usage and basing point. Milk output is slipping as some producers are reporting a September slump in the PACIFIC NORTHWEST. Falling grain prices may help to somewhat offset expensive and lower quality forage supplies. Corn silage harvesting in the region is just commencing. Quality looks good, but yields are not quite up to expectations. The fat and protein tests on milk receipts continue to climb slowly out of the summer trough. Some frost and snow in some of the passes may be signaling that summer has faded into fall in IDAHO and UTAH. Milk output is just beginning to respond with tests also improving. Some cheese plants in the region are finding that sales activity for their current production is aggressive enough that they need to purchase some additional outside milk supplies. Milk is available so that this situation is not a problem. Hay prices in the region, especially in Idaho, are firm and increasing.

NDM, BUTTERMILK & WHOLE MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Prices are mixed on a steady market. Production is seasonally lower in response to reduced milk production and higher Class I interest that diverts milk away from NDM drying plants. Supplies of high heat are short of buyer interest. Low heat supplies are more readily available with some locations offering a lower price on multiple loads. Brokers continue to report price resistance, particularly from cheese plants that are reportedly receiving loads from an unknown source at delivered prices slightly below the average. A CCC invitation to buy 3,251,119 pounds of NDM is noted with offers due by September 19. Off grade supplies are limited for the good feed interest.

EAST: Prices are mostly higher as last week's NASS price (the basis for a large portion of the NDM sold in the U.S.) increased 1.1 cents. However, producers who do not use that index are holding their prices at current levels. In fact, reports from the Central region have some producers offering discounts on multi-load deals. The market tone is showing some weakness. Buyers are also exhibiting more price resistance due to offerings being heavier than many had anticipated, particularly in the East. In years past, Eastern producers had little or no NDM to offer during the last third of the year. This year, higher milk prices led to increased milk output and more drying. Most Eastern dryers are in a tight supply situation, but reports indicate that one plant has significant stocks. Additionally, many traders and users also have inventories, which may partially explain the lack of demand. Also, for the second time this month, CCC is selling back NDM for unrestricted use. Many in the trade felt that CCC was out of NDM and had none to sell. This does not seem to be the case since they are also negotiating to buy products for the relief effort and will use CCC-owned NDM as payment or partial payment. Drying schedules in the East are light to moderate. Most producers are still trying to catch up with existing orders or make some medium or high heat. The damage to product in storage, caused by Katrina, is still not totally known.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
LOW/MEDIUMHEAT: .9775 - 1.0550 MOSTLY: .9900 - 1.0150
HIGHHEAT: 1.0300 - 1.1000

NONFAT DRY MILK - WEST

Prices are higher for both the range and mostly price series in the West. The market tone is steady to firm. Production is steady to lower with recent weeks and depends on product mix and milk supplies. Several producers continue to make other products instead of NDM, so statistics for straight NDM are lower. Demand is slow to fair for domestic accounts and is often better for export orders. Deals are being finalized to supply export accounts well into calendar year 2006. Deals for other powders (SMP, MPC, and blends) are also being negotiated. These are being utilized to keep the supply/demand situation in balance instead of the historical use of the support program to sell surplus NDM. Export prices are generally in the current price ranges. High heat prices have moved upwards. Supplies remain short of trade needs. Drying schedules are light with several producers not having powder available for all their needs. Stocks are light. On September 13, KCCO announced that bids were being sought for 3,251,119 pounds of NDM packed in 25 KG bags and 1,541,721 pounds of NDM packed in 12/2 bags for unrestricted use, and 256,698 pounds of denatured NDM packed in 25 KG bags for restricted use other than human consumption. Bids are due at 1:00 PM CDT on September 19. From January to July, exports of NDM/SMP totaled 184,570 MT (406.9 million pounds), compared to 94,704 MT (208.8 million pounds) a year ago. During July 2005, 37.4 million pounds of NDM/SMP were exported.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
LOW/MEDIUMHEAT: .9400 - .9900 MOSTLY: .9450 - .9850
HIGHHEAT: .9700 - 1.0175

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
September 9	\$.9478	7,582,829	0
September 2	\$.9543	4,987,022	0

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

DRY BUTTERMILK - CENTRAL

Prices are unchanged and nominal on a steady market. Increased offerings are noted at steady prices. Demand is very light. Production is mixed. Some plants would have expected higher cream intakes by now, resulting in increased butter and condensed buttermilk production. Other plants report reduced sales of condensed buttermilk to ice cream plants, resulting in increased dry buttermilk production. The undertone is that the market may have peaked.

F.O.B. CENTRAL: .9500 - 1.0450

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices and the market tone are unchanged. Northeastern prices remain nominal. Butter production in the Northeast is mostly steady to occasionally heavier as excess cream volumes continue to increase. However, some suppliers indicate that cream availability is spotty and ranges from tight to ample. Few reports indicate a change in drying schedules. Producer stocks are light and well balanced for the generally steady demand. Off grade powder continues to be available at discounted prices.

F.O.B. NORTHEAST: .9500 - 1.0050
DELVD SOUTHEAST: .9800 - 1.0600

DRY BUTTERMILK - WEST

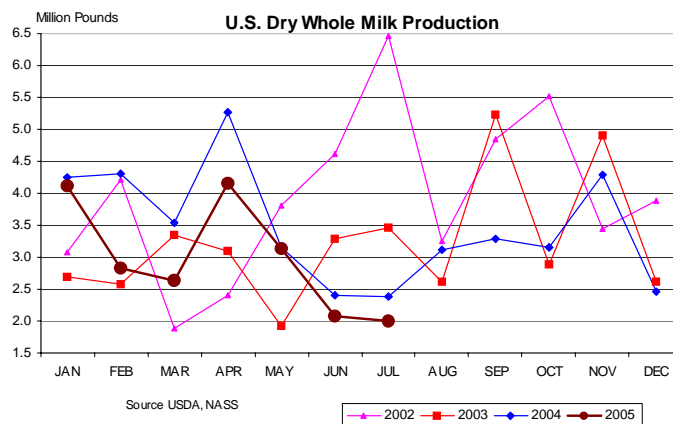
The dry buttermilk market in the West is holding mostly steady with limited price changes occurring. The market tone is flat. Demand is light for the available offerings. Trading is very light in the resale market. Production has been mainly as projected to occasionally higher where more cream has entered the butter churns. Drying times are available. Current stock levels are moderate.

F.O.B. WEST: .9150 - .9650 MOSTLY: .9200 - .9350

DRY WHOLE MILK - NATIONAL

Prices are unchanged and nominal. Production levels remain light. Spot interest is contractual and sales are steady. Plant stocks are light and demand is just fair. Reports of imported dry whole milk availability persist, but seem to be fewer in number. Prices for the imported powder are generally at or below the low end of the range.

F.O.B. PRODUCING PLANT: 1.3125 - 1.4950



WHEY, CASEIN & EVAPORATED MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

DRY WHEY - CENTRAL

Prices are unchanged on Extra Grade and nominal on milk replacer quality whey. The market tone continues to trend firm. Resale supplies are being offered at 1-1.5 cents over the market and meeting buyer resistance. Most buyers are content in receiving contractual loads and working off of inventories in an attempt to avoid current market cost. Some feed buyers continue to search for dry whey permeate, lactose or milk replacer quality whey as a substitute to the Extra Grade market. Some producer plants report that they are sold out through October. With good export demand, spot trade of whey during the fourth quarter is expected to be very light.

F.O.B. CENTRAL: .2825 - .3000 MOSTLY: .2825 - .2975
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .2700 - .2900

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices are steady and the Northeastern prices remain nominal. Most Eastern producers are in a sold out position and few spot sales are being reported. Those operations with product to offer are seeing decent demand. Cheese output is steady to slightly heavier, but some producers report that dry whey output is trailing shipping schedules and some expect to have to alter contract volumes. Buying interest is good, but still not very aggressive. Most spot sales are in the resale market and taking place at normal premiums. Some increase in premiums was noted, but there is resistance to any increase. Fuel costs are still a big factor in delivered prices and product movement.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .2950 - .3125
DELVD SOUTHEAST: .3150 - .3350

DRY WHEY - WEST

Western whey prices range from steady to fractionally higher. The market undertone remains firm. Both export and domestic demand are rated as good to very good. Offerings of powder are often not large enough to meet all the current interest. Orders need to be placed a few weeks ahead of desired delivery times. Production levels are mixed going into the fall season. Exports of whey for the first seven months of the year total 260.2 million pounds according to FAS. This total is 46% ahead of the same period in 2004. Exports total 42% of total dry whey production. Last year, exports were 29% of production. The top five export destinations and their volumes and changes from last year are as follows: China, 73.0 million pounds, +65%; Japan, 33.0 million pounds, +126%; Canada 27.9 million pounds, -16%; Korea, 27.6 million pounds, +157%; and Thailand, 18.9 million pounds, +37%.

NONHYGROSCOPIC: .3050 - .3400 MOSTLY: .3150 - .3275

EVAPORATED MILK - NATIONAL

Prices and the market tone are unchanged. The market appears to be settling into normal routines following the changes back in July. The market does remain highly competitive. Production levels are moderate. Most producers do have sufficient stocks for the fall needs and some additional output is expected. Re-supplying the areas around New Orleans is expected to take some time as retailers are assessing their warehouse inventories and any damage that may have occurred. Elsewhere, it seems to be business as usual. Fuel costs continue to be a topic of conversation.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR
U.S. CITIES \$19.50 - 30.00

Excluding promotional and other sales allowances. Included new price announcements.

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are unchanged to lower on a weak market. Offerings are heavy for the very light interest. As prices move lower, buyers are more hesitant to buy on a spot basis. Export demand and Grade A movement are reported as good. Supplies WPC 34% in totes and WPC 80% from domestic or foreign sources are readily available. Some feed buyers are opting to wait and see if their offers on the CCC invitation to buy 3,251,119 pounds of NDM are met. Overall activity was light due to some industry attendance at the International Whey Conference in Chicago. During the period of January - July 2005, WPC 34% exports increased 17.37% whereas WPC 80% exports decreased 19.03% compared to the same period in 2004. Export quantities and percentage changes for the dominant 34% WPC markets include: Mexico 16,004,566 lbs (+133.79%), Canada 5,375,556 lbs (+9.49%), China 5,196,591 lbs (+202.67%), Japan 3,102,571 lbs (-62.39%) and Brazil 2,859,910 lbs (+2048.34%). Export quantities and percentage changes for the dominant 80% WPC markets include: Canada 3,422,812 lbs (-15.63%), Mexico 2,675,570 lbs (+176.91%), China 1,119,632 lbs (-55.73%), and Japan 939,124 lbs (+53.55%). Exports of 34% WPC (42,481,659 lbs) and 80% WPC (9,472,572 lbs) for the January - July 2005 period account for 28.5% of WPC (25.0 - 89.9% protein) production for same period. This compares to 27.4% in 2004.

F.O.B. EXTRA GRADE 34% PROTEIN: .8225 - .8825 MOSTLY: .8525 - .8625

LACTOSE - CENTRAL AND WEST

Prices are unchanged to higher on a firm market. Some producers have finalized their contracts for the fourth quarter. Producer reports of potential supply shortages during the fourth quarter enticed some buyers to settle early. Traders report that the market appears firm but the trend may not persist throughout fourth quarter given the expected additional supplies of dry whey permeate on the market during this time frame. Production is mostly steady. During the period of January - July 2005, lactose exports increased 41.28% compared to the same period in 2004. Export quantities and percentage changes for the dominant markets include: Japan 32,264,797 lbs (+16.89%), China 17,882,374 lbs (+263.9%), Mexico 13,357,562 lbs (+17.2%) and Vietnam 7,537,341 lbs (+27.8%). Exports accounted for 24.6% of production during the January - July 2005 period. This compares to 17.7% for the same time period in 2004.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

F.O.B. EDIBLE: .1875 - .2400 MOSTLY: .1900 - .2200

CASEIN - NATIONAL

Casein markets remain steady at unchanged prices, although the market tone is unsettled. European production continues to edge lower as milk production declines seasonally. Output this year has been strong and suppliers indicate that they are in a much better supply situation than they were last year. In Oceania, the milk production season is just getting underway, thus it is still too early to project what casein production and supplies will be. Domestic buyers indicate that available supplies are in better balance for their need versus last year at this time, although prices remain higher than buyers desire to pay. Fourth quarter prices appear to be slightly lower.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 3.2700 - 3.4500
ACID: 3.2700 - 3.4000

CHICAGO MERCANTILE EXCHANGE FUTURES

Selected settling prices, (open interest), and volume ^{1/}

Month	08/31	09/01	09/02	09/05	09/06	09/07	09/08	09/09	09/12	09/13
CME - (CLASS III) MILK FUTURES -- Dollars per cwt										
AUG 05	13.59 (2936) 0	13.59 (2861) 0	13.60	NO TRADING						
SEP 05	14.26 (3505) 80	14.30 (3504) 14	14.26 (3491) 100		14.26 (3494) 12	14.27 (3352) 226	14.30 (3322) 39	14.26 (3322) 9	14.26 (3272) 87	14.26 (3290) 29
OCT 05	14.38 (2621) 137	14.36 (2593) 108	14.28 (2618) 64		14.25 (2630) 40	14.26 (2620) 96	14.34 (2616) 129	14.45 (2644) 125	14.48 (2590) 204	14.29 (2597) 181
NOV 05	13.58 (1805) 14	13.60 (1802) 6	13.57 (1798) 11		13.61 (1804) 22	13.61 (1789) 51	13.66 (1775) 66	13.81 (1795) 82	13.80 (1809) 81	13.67 (1820) 61
DEC 05	13.24 (1721) 5	13.25 (1712) 32	13.26 (1719) 8		13.33 (1724) 16	13.33 (1748) 48	13.44 (1787) 61	13.51 (1792) 19	13.50 (1752) 164	13.37 (1755) 31
JAN 06	12.60 (1091) 33	12.62 (1090) 16	12.60 (1092) 7		12.65 (1103) 20	12.67 (1136) 49	12.78 (1149) 16	12.83 (1155) 10	12.85 (1159) 5	12.81 (1164) 9
FEB 06	12.40 (1001) 35	12.43 (993) 28	12.38 (996) 10		12.39 (1000) 17	12.39 (1034) 44	12.50 (1050) 19	12.55 (1054) 13	12.55 (1054) 5	12.47 (1058) 5
MAR 06	12.40 (996) 35	12.43 (988) 33	12.35 (993) 12		12.38 (1000) 15	12.38 (1031) 40	12.50 (1044) 14	12.60 (1048) 10	12.60 (1050) 3	12.52 (1055) 7
APR 06	12.35 (924) 39	12.38 (930) 22	12.33 (934) 11		12.33 (943) 17	12.33 (963) 42	12.42 (966) 8	12.45 (974) 9	12.45 (978) 21	12.43 (982) 6
MAY 06	12.46 (827) 38	12.48 (844) 35	12.45 (848) 11		12.45 (858) 17	12.45 (880) 40	12.51 (886) 11	12.57 (887) 20	12.58 (883) 7	12.55 (887) 6
JUN 06	12.72 (811) 39	12.75 (807) 26	12.72 (816) 18		12.72 (825) 18	12.72 (858) 40	12.79 (867) 10	12.85 (875) 14	12.85 (874) 1	12.85 (879) 5
JUL 06	13.20 (603) 13	13.22 (613) 42	13.13 (624) 18		13.15 (637) 20	13.17 (655) 25	13.29 (658) 13	13.32 (659) 2	13.30 (660) 3	13.21 (662) 4
AUG 06	13.26 (543) 16	13.30 (552) 19	13.27 (554) 14		13.27 (563) 17	13.30 (579) 21	13.42 (592) 17	13.45 (594) 4	13.45 (596) 7	13.35 (601) 8
SEP 06	13.55 (587) 16	13.57 (600) 26	13.54 (610) 19		13.55 (618) 16	13.55 (632) 18	13.62 (649) 20	13.66 (650) 6	13.65 (655) 10	13.65 (662) 27
OCT 06	13.00 (521) 12	13.04 (530) 14	13.00 (538) 13		13.00 (542) 15	13.00 (560) 23	13.07 (564) 23	13.10 (564) 0	13.12 (568) 11	13.12 (572) 12
NOV 06	12.80 (496) 11	12.80 (509) 23	12.80 (516) 10		12.80 (522) 16	12.80 (534) 18	12.85 (537) 11	12.85 (537) 0	12.85 (540) 5	12.85 (544) 5
DEC 06	12.81 (524) 12	12.82 (538) 19	12.77 (547) 16		12.77 (553) 15	12.77 (565) 16	12.78 (568) 11	12.80 (568) 0	12.80 (569) 3	12.80 (577) 8
JAN 07	12.69 (54) 0	12.69 (54) 0	12.60 (63) 9		12.60 (63) 0	12.60 (63) 0	12.60 (63) 0	12.60 (63) 0	12.60 (63) 0	12.60 (63) 0
FEB 07	12.45 (47) 0	12.45 (47) 0	12.42 (47) 0		12.40 (47) 0	12.40 (47) 0	12.40 (47) 0	12.40 (47) 0	12.40 (47) 0	12.40 (47) 0
MAR 07	12.50 (43) 0	12.50 (43) 0	12.47 (43) 0		12.45 (43) 0	12.45 (43) 0	12.45 (43) 0	12.45 (43) 0	12.45 (43) 0	12.45 (43) 0
APR 07	12.70 (8) 0	12.70 (8) 0	12.70 (8) 0		12.70 (8) 0	12.70 (8) 0	12.70 (8) 0	12.70 (8) 0	12.70 (8) 0	12.70 (8) 0
MAY 07	12.70 (3) 0	12.70 (3) 0	12.70 (3) 0		12.70 (3) 0	12.70 (3) 0	12.70 (3) 0	12.70 (3) 0	12.70 (3) 0	12.70 (3) 0
CME - (CLASS IV) MILK FUTURES - Dollars per cwt.										
AUG 05	13.30 (20) 0	13.30 (20) 0	13.44	NO TRADING						
SEP 05	13.30 (21) 0	13.30 (21) 0	13.30 (21) 0		13.30 (21) 0	13.30 (21) 0	13.30 (21) 0	13.40 (21) 0	13.40 (21) 0	13.40 (21) 0
OCT 05	12.80 (4) 0	12.80 (4) 0	12.80 (4) 0		12.80 (4) 0	12.80 (4) 0	12.90 (4) 0	13.00 (4) 0	13.00 (4) 0	13.00 (4) 0
NOV 05	12.80 (5) 0	12.80 (5) 0	12.80 (5) 0		12.80 (5) 0	12.80 (5) 0	12.90 (5) 0	12.90 (5) 0	12.90 (5) 0	12.90 (5) 0
DEC 05	12.80 (4) 0	12.80 (4) 0	12.80 (4) 0		12.80 (4) 0	12.80 (4) 0	12.80 (4) 0	12.80 (4) 0	12.80 (4) 0	12.80 (4) 0
CME - BUTTER FUTURES -- Cents per pound										
SEP 05	167.50 (262) 26	166.50 (247) 50	166.00 (244) 11	NO TRADING		167.00 (226) 29	167.00 (211) 12	166.50 (200) 14	168.00 (196) 16	169.25 (196) 2
OCT 05	168.00 (391) 10	168.00 (391) 5	165.00 (397) 8		166.25 (397) 8	166.00 (393) 13	164.50 (387) 24	166.50 (382) 8	169.00 (377) 16	171.00 (373) 19
DEC 05	162.00 (169) 0	162.00 (171) 3	160.00 (171) 0		160.00 (171) 0	160.00 (171) 0	160.00 (171) 0	160.00 (170) 9	161.00 (168) 7	164.00 (168) 1
MAR 06	154.00 (36) 0	154.00 (36) 0	154.00 (36) 0		154.00 (36) 0	154.00 (37) 1	154.00 (36) 1	153.75 (36) 0	153.75 (36) 0	153.75 (36) 0
MAY 06	154.00 (28) 0	154.00 (28) 0	154.00 (28) 0		154.00 (28) 0	154.00 (30) 2	154.00 (30) 0	153.75 (30) 0	153.75 (30) 0	153.75 (30) 0

^{1/} At the CME open interest for milk -- 200,000 pounds per contract. For more detailed information, you may call our automated voice system at 608-224-5088.

INTERNATIONAL DAIRY MARKET NEWS

Information gathered September 5 - 16, 2005

Prices are U.S. \$/MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

WESTERN AND EASTERN EUROPE

WESTERN OVERVIEW: In the past few weeks, milk producers and handlers are stating that milk production appears to be dropping quite rapidly when compared to last year at this time. Some indicate that production declines at the end of last year were very gradual with milk declines this year more in line with what usually happens. With the milk quota year about one half over, some countries are already reviewing their marketings and realizing that adjustments will need to be made. Reports indicate that producers in Germany and France have cleared greater volumes of milk thus far this year versus the comparable period last year and adjustments will need to be made before the quota year end in March to avoid penalties. The European summer holiday period has now ended and demand for fresh dairy products is improved. Suppliers indicate that consumers have returned home following 4 - 6 weeks of holiday and are resuming typical early fall buying patterns. The EU Dairy Management Committee met on September 15 and basically announced minimal changes to dairy policies in place. Under the tendering system, export refunds were reduced by 5 Euros for skim milk powder (140 to 135) and butter (1000 to 995). Now that intervention for butter and skim milk powder has closed, final figures were released. Skim milk powder clearances during the open season of March 1 - August 31 total 16,580 MT, 90% lighter than last year's 164,554 MT. Butter offerings totaled 142,851 MT compared to 212,681 MT last year. Traders and handlers report slow international sales with most market activity centered around an internal or domestic market. Prices remain basically steady, although an unsettled undertone is developing. Many feel that prices may hold through the end of the calendar year at which time a weak trend might develop, especially if international sales have remained limited. For the recent Algerian tender with bids due on September 10, no results have been released yet. Traders are hopeful that results will be announced within the next week to ten days.

BUTTER/BUTTEROIL: European butter markets are generally steady. Prices had weakened in recent weeks, although prices are now firming. Much of the current strength is being attributed to a firmer Euro against the dollar. Butter production continues to edge lower seasonally. Cream prices are on the firm side and many butter producers are finding that available offerings are too pricey for them. Butter stocks are available for immediate and future needs. Demand continues to center around internal or domestic need.

82% BUTTERFAT: 1,900 - 2,125
99% BUTTERFAT: 2,400 - 2,650

SKIM MILK POWDER (SMP): European skim milk powder markets are generally steady at basically unchanged prices, although some slight weakness is occurring at the top end of the reported range. Stocks of powder are available in both Eastern and Western regions. Sales activity has been light and limited to domestic or internal needs. International sales are quiet. Traders and handlers are awaiting the results of the recent Algerian tender.

1.25% BUTTERFAT: 2,250 - 2,350

WHOLE MILK POWDER (WMP): Whole milk powder markets and prices are unchanged, although the market undertone is weaker. Traders and handlers indicate that buyers are starting to return to the market following the recent holiday period. Although sales remain limited, traders are pleased that buyers are starting to show an interest. Traders feel that buyers remain hesitant in paying current prices and will hold out until prices weaken. Stocks of powder are available in Eastern and Western regions of Europe.

26% BUTTERFAT: 2,200 - 2,350

SWEET WHEY POWDER: European whey powder markets remain firm at unchanged prices. Stocks of whey are available for both domestic and international buyer interest. Results of the recent Japanese whey tender are unclear, but European traders feel that they did not get much of the award. Cheese production is edging lower seasonally, thus whey volumes are also on the decline.

NONHYGROSCOPIC: 650 - 800

EASTERN OVERVIEW: Milk production in Eastern Europe continues to decline on a seasonal basis. As has been the case for much of the production year, milk marketings are heavier than last season. Producers and handlers still feel that overall milk production has not increased, but rather marketings of milk have changed versus home or on farm disposition. Eastern traders and handlers report that sales activity has maintained an internal focus. International sales are light. Eastern European traders are awaiting the outcome of the recent Algerian tender. They are hopeful to receive a significant portion of this buyer interest.

OCEANIA

OVERVIEW: Milk production continues to increase in the Oceania region. Weather conditions in both New Zealand and Australia are reported to be fairly positive for early spring. In New Zealand, milk output is increasing at a steady pace. Milk producers and handlers remain optimistic about recovering from last season's 3 - 4% decline. Most dairy plants on both the North and South Islands are operating and receiving milk. Plant capacities remain low, thus milk volumes have a ways to build before reaching capacity levels. In Australia, milk volumes are slowly increasing. Milk production figures for July were recently released which indicated that output for the first month of the production year is 0.6% ahead of last year. About 60% of all milk in Australia is produced in Victoria which recorded a 0.8% increase over last July. Australian producers and handlers continue to project a 1 - 2% production increase over last year and feel that the strength of late last season may be carrying over into the new year. Carryover stocks from the 2004 - 2005 production year are minimal, but in most instances, sufficient to bridge the gap between old and new production. New stocks are limited, but building as milk volumes increase. Manufacturers and traders report that most early season production has been fully committed to regular and ongoing customers. Most producers and handlers indicate that it will be a number of months before they will be able to consider if product is available for additional or spot buyer interest. Some international buyers are questioning availability, but if they are not a regular buyer, are not having much success.

BUTTER: Oceania butter markets are generally steady at unchanged prices with most of the trading activity occurring at the lower end of the reported range. Producers and handlers state that there is no new sales activity to report. Current market activity is centering around regular and ongoing customer needs. Most butter producers and handlers indicate that a large portion of upcoming production has already been committed, thus very little, if any, is available for spot or new buyer interest.

82% BUTTERFAT: 1,950 - 2,400

CHEDDAR CHEESE: Oceania cheese markets are firm with prices unchanged to higher. Cheese production is slowly increasing as seasonal milk volumes grow. Carryover stocks of cheese are sufficient to maintain steady shipment schedules until new production becomes available. Sales activity has been limited to regular and ongoing customers. Suppliers and traders are limiting sales activity to these customers until they have a better feel as to how the new production season is developing.

39% MAXIMUM MOISTURE: 2,800 - 3,000

SKIM MILK POWDER (SMP): Skim milk powder markets are steady to firm as the milk production and drying season resumes. Milk volumes are building in both Australia and New Zealand, thus powder production is on the rise. Early season milk production projections are optimistic. Some producers and traders indicate that powder production projections are still unclear. As has been the case in recent years, some Oceania traders have reached to outside sources to secure sufficient volumes of powder for international sales, thus many feel that this will probably again be the situation this year, freeing up milk volumes for other manufactured dairy products.

1.25% BUTTERFAT: 2,200 - 2,375

WHOLE MILK POWDER (WMP): Oceania whole milk powder markets are steady to firm. Prices are unchanged to slightly higher on the top end of the reported range. Milk production is resuming in the region, thus powder production is also increasing seasonally. It is still early in the season, but most producers and handlers indicate that a large percentage of new production is already committed. Traders and handlers are not acknowledging new buyer interest at this time, but will closely monitor the supply/demand balance as the season progresses for possible future sales.

26% BUTTERFAT: 2,250 - 2,400

Exchange rates for selected foreign currencies: September 12, 2005

.8432 Canadian Dollar	.0228 Indian Rupee
.3426 Argentina Peso	.7033 New Zealand Dollar
.0935 Mexican Peso	.7697 Australian Dollar
.3119 Polish Zloty	.0090 Japanese Yen
	1.2285 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0935)=
10.6951 That is 1 US Dollar equals 10.6951 Mexican Pesos.

Source: "Wall Street Journal"

SEPTEMBER MILK SUPPLY AND DEMAND ESTIMATES*

Milk production in 2005 and 2006 is forecast higher than last month. Slightly faster growth is forecast for the cow herd and output per cow. Fat-basis commercial demand is expected to be stronger than forecast last month both for 2005 and 2006, providing support for increased forecasts of butter and cheese prices in 2005 and butter prices in 2006. Commercial use of skim solids is also increased as demand [growth] for cheese and other products coupled with continued strength in exports is expected. The nonfat dry milk price forecast is raised for both 2005 and 2006. The whey price forecast is also raised on strength in exports. As product prices are forecast higher, Class price forecasts are raised for both 2005 and 2006. The all milk price for 2005 is forecast higher at \$15.05-\$15.25 per cwt., and the 2006 forecast is raised to \$13.10-\$14.10 per cwt.

U.S. MILK SUPPLY AND USE					
Commodity	2004	2005 Projected		2006 Projected	
		August	September	August	September
MILK		BILLION POUNDS			
PRODUCTION	170.8	176.0	176.3	180.0	180.3
FARM USE	1.1	1.1	1.1	1.1	1.1
FAT BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	8.3	7.2	7.2	8.0	7.6
MARKETINGS	169.7	174.9	175.2	178.9	179.3
IMPORTS	5.3	4.9	4.9	4.9	4.9
TOTAL COMMERCIAL SUPPLY	183.3	187.0	187.3	191.8	191.8
FAT BASIS USE					
ENDING COMMERCIAL STOCKS	7.2	8.0	7.6	8.0	7.7
CCC NET REMOVALS <u>1/</u>	-0.1	0.0	0.0	0.1	0.0
COMMERCIAL USE <u>2/</u>	176.2	178.9	179.7	183.8	184.0
SKIM-SOLIDS BASIS SUPPLY					
BEGINNING COMMERCIAL STOCKS	8.5	8.2	8.2	8.4	8.0
MARKETINGS	169.7	174.9	175.2	178.9	179.3
IMPORTS	4.8	4.8	4.7	4.8	4.8
TOTAL COMMERCIAL SUPPLY	183.0	187.8	188.2	192.1	192.0
SKIM-SOLIDS BASIS USE					
ENDING COMMERCIAL STOCKS	8.2	8.4	8.0	8.2	8.0
CCC NET REMOVALS <u>1/</u>	1.3	-0.7	-1.0	1.2	0.8
COMMERCIAL USE <u>2/</u>	173.5	180.1	181.1	182.7	183.1
CCC PRODUCT NET REMOVALS <u>1/</u>		MILLION POUNDS			
BUTTER	-7	0	0	0	0
CHEESE	6	0	0	7	0
NONFAT DRY MILK	105	-60	-85	100	70
DRY WHOLE MILK	0	0	0	0	0

NOTE: Totals may not add due to rounding. 1/ Includes products exported under the Dairy Export Incentive Program. 2/ Includes commercial exports.

Continued on page 10

SEPTEMBER MILK SUPPLY AND DEMAND ESTIMATES-cont'd

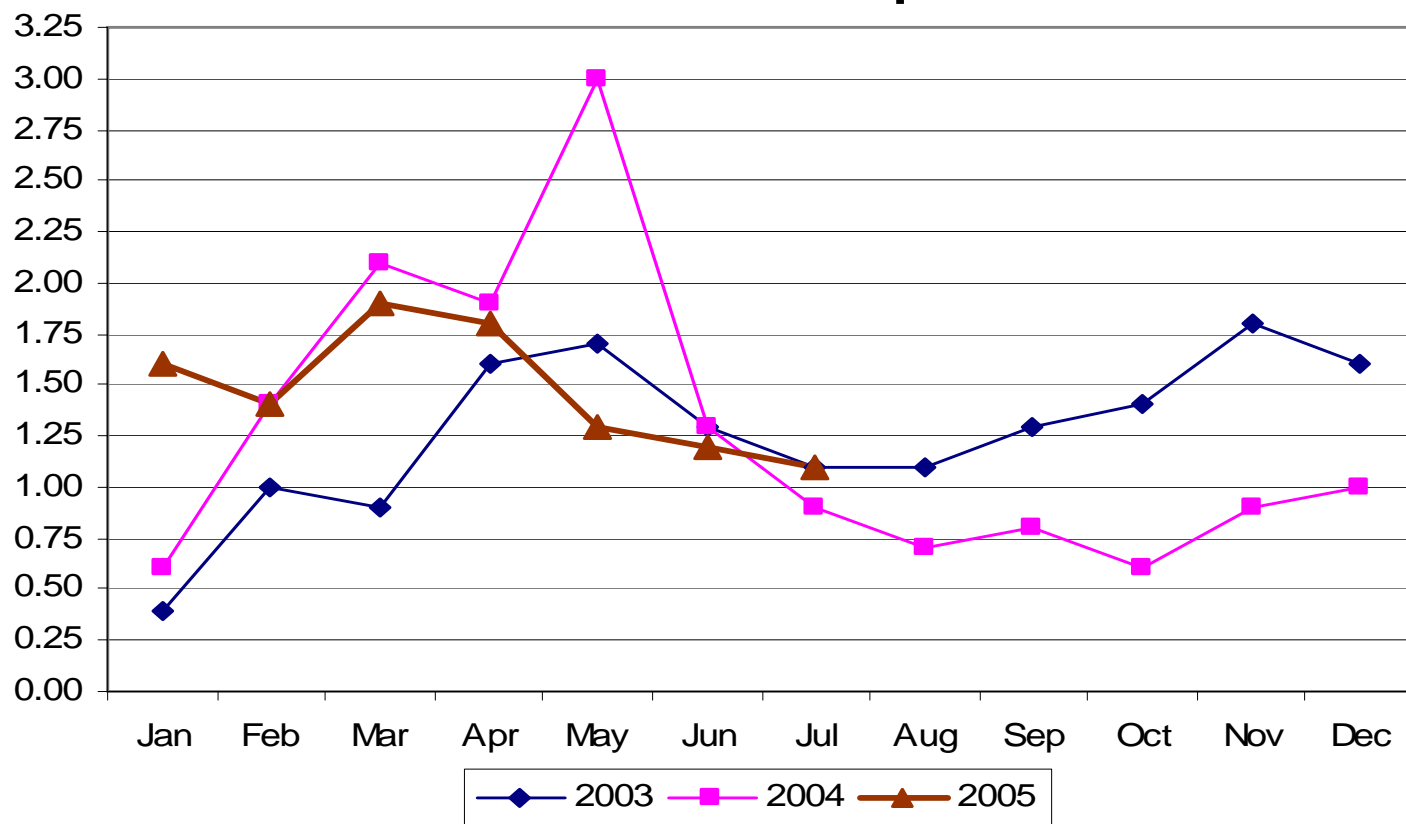
U.S. DAIRY PRICES					
Commodity	2004	2005 Projected		2006 Projected	
		August	September	August	September
PRODUCT PRICES <u>1/</u> CHEESE BUTTER NONFAT DRY MILK DRY WHEY MILK PRICES <u>2/</u> CLASS III CLASS IV ALL MILK <u>3/</u>	DOLLARS PER POUND				
	1.6431	1.470-1.490	1.475-1.495	1.280-1.380	1.285-1.385
	1.8239	1.505-1.545	1.545-1.585	1.280-1.410	1.320-1.450
	0.8405	0.910-0.930	0.920-0.940	0.860-0.930	0.865-0.935
	0.2319	0.250-0.270	0.260-0.280	0.180-0.210	0.220-0.250
	DOLLARS PER CWT				
	15.39	13.75-13.95	13.90-14.10	11.45-12.45	11.75-12.75
	13.20	12.50-12.80	12.75-13.05	11.10-12.20	11.30-12.40
	16.05	14.95-15.15	15.05-15.25	12.85-13.85	13.10-14.10
	QUARTERLY				
2005 II	2005 III <u>4/</u>	2005 IV <u>4/</u>	2006 I <u>4/</u>	2006 II <u>4/</u>	
MILK PRODUCTION	BILLION POUNDS				
	45.7	43.7	43.7	44.9	46.6
	DOLLARS PER CWT.				
	14.83	14.65-14.85	15.05-15.55	13.95-14.75	12.60-13.60
	14.10	13.80-14.00	13.40-13.90	12.00-12.80	11.55-12.55
CLASS IV PRICE <u>2/</u>	12.38	13.20-13.50	12.90-13.50	11.55-12.45	11.05-12.15

1/ Simple average of monthly prices calculated by AMS from NASS weekly average dairy product prices for class price computations. Details may be found at http://www.ams.usda.gov/dyfmom/mib/fedordprc_dscrpt.htm. 2/ Annual and quarterly Class III and Class IV prices are the simple average of monthly minimum Federal order milk prices paid by regulated plants for milk used in the respective classes. All milk price is the simple average of monthly prices received by farmers for milk at average test. 3/ Does not reflect any deductions from producers as authorized by legislation. 4/ Projection.

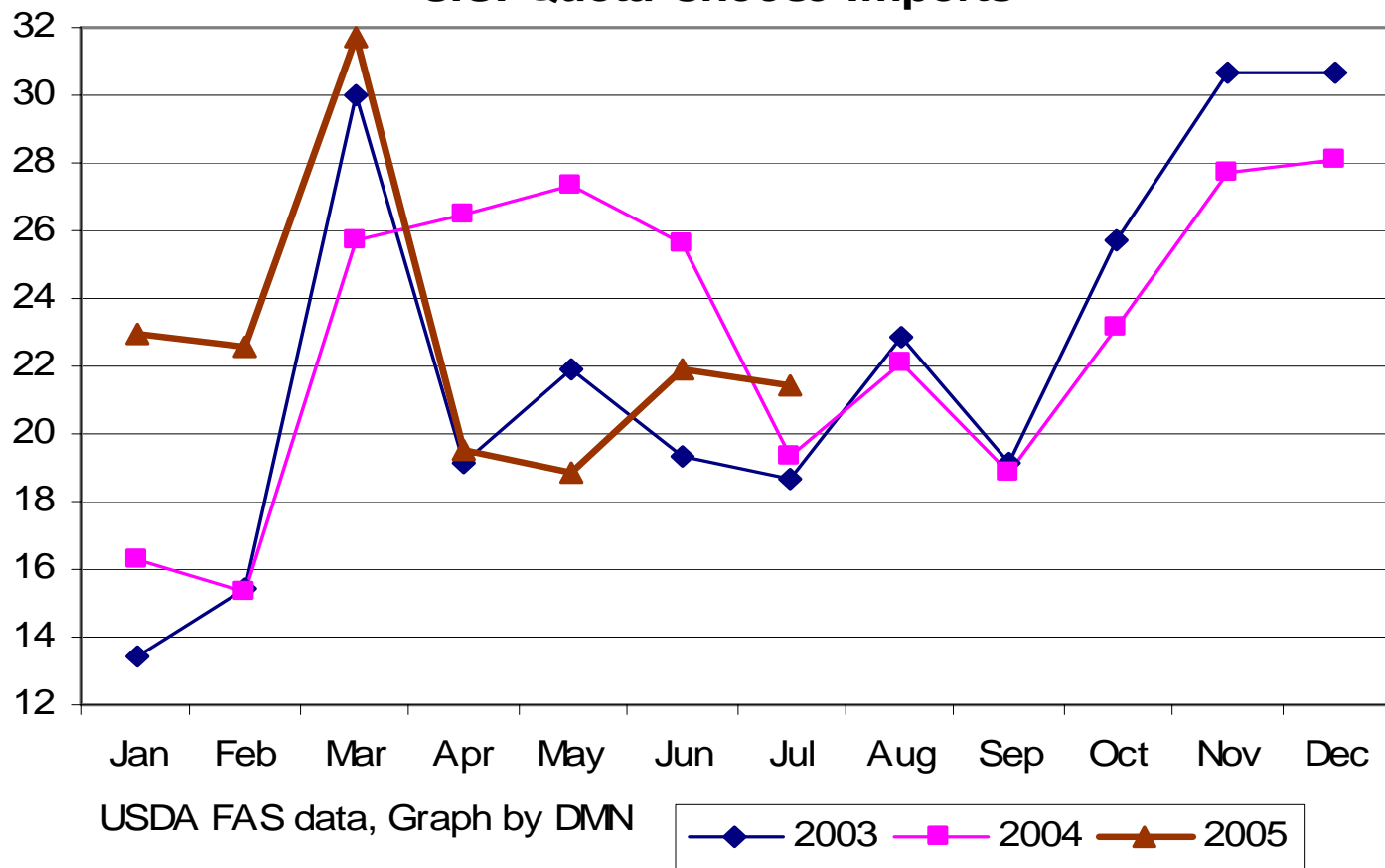
* The World Agricultural Supply and Demand Estimates were approved by the Interagency Commodity Estimates Committee. The members for Dairy are: Shayle Shagam, Chairperson, WAOB; John Mengel, AMS; Paul Kiendl, FAS; James Miller, ERS; and Milton Madison, FSA.

SOURCE: "World Agricultural Supply and Demand Estimates," WASDE-426, World Agricultural Outlook Board, USDA, September 12, 2005.

Million Pounds

U.S. Butter Quota Imports

Million Pounds

U.S. Quota Cheese Imports

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF SEPTEMBER 12 - 16, 2005			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/04	SAME PERIOD LAST YEAR	WEEK ENDING 09/09/05	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	-42,309	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-42,309	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Process	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
NONFAT DRY MILK							
Nonfortified	-0-	-0-	-0-	31,817,269	353,832,395	-0-	572,748,000
Fortified	-0-	-0-	-0-	-0-	-119,048	-0-	46,391,000
TOTAL	-0-	-0-	-0-	31,817,269	353,713,347	-0-	619,139,000

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF SEPTEMBER 12 - 16, 2005 =	0.0	0.0	COMPARABLE PERIOD IN 2004 =	0.8	40.9
CUMULATIVE SINCE OCTOBER 1, 2004 =	7.0	370.4	CUMULATIVE SAME PERIOD LAST YEAR =	76.9	4,117.2
CUMULATIVE JAN. 1 - SEP. 16, 2005 =	0.0	0.0	COMPARABLE CALENDAR YEAR 2004 =	51.4	2,768.0

* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

**Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES SINCE 10/1/04 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04
CENTRAL	-0-	-0-	-0-	-0-	1,331,567	8,493,089	4.2	2.4
WEST	-0-	-42,309	-0-	-0-	29,415,099	340,936,484	92.4	96.4
EAST	-0-	-0-	-0-	-0-	1,070,603	4,283,774	3.4	1.2
TOTAL	-0-	-42,309	-0-	-0-	31,817,269	353,713,347	100.0	100.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.

BUTTER Bulk \$1.0500 per pound; 1# Prints \$1.0850

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

NONFAT DRY MILK Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 08/27/05 & Comparable Week 2004

Regions* (000 HEAD)	1	2	3	4	5	6	7	8	9	10	U.S. TOTAL		% DAIRY OF ALL	
											WEEK	SINCE JAN 1	WEEK	SINCE JAN 1
2005-Dairy	N.A.	0.7	6.3	2.4	13.7	3.2	0.6	N.A.	13.0	1.7	42.5	1,472.4	48.9	47.3
2004-Dairy	N.A.	0.7	7.1	2.2	17.5	2.5	0.6	N.A.	12.8	1.4	45.9	1,560.8	49.3	46.7
2005-All cows	N.A.	0.7	7.8	10.9	24.6	13.7	8.9	N.A.	15.9	2.1	87.0	3,112.5		
2004-All cows	N.A.	0.8	8.7	12.1	27.9	13.6	10.6	N.A.	14.8	2.0	93.1	3,341.4		

SOURCE: The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA. 1/ States included in regions are as follows: Region 1--ME, NH, VT, CT, MA, and RI; Region 2--NY and NJ; Region 3--DE, PA, WV, VA, and MD; Region 4--KY, TN, NC, SC, GA, AL, MS, and FL; Region 5--MI, OH, IN, IL, WI, and MN; Region 6--TX, OK, NM, AR, and LA; Region 7--IA, NB, KS, and MO; Region 8--MT, WY, CO, UT, ND, and SD; Region 9--CA, NV, AZ, and HA; Region 10--ID, OR, and WA. 2/ Totals may not add due to rounding.

CLASS III MILK PRICES, (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2002	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74
2003	9.78	9.66	9.11	9.41	9.71	9.75	11.78	13.80	14.30	14.39	13.47	11.87
2004	11.61	11.89	14.49	19.66	20.58	17.68	14.85	14.04	14.72	14.16	14.89	16.14

FEDERAL MILK ORDER CLASS PRICES FOR 2005 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	16.65	13.79	15.43	14.13	14.80	13.62	13.89	14.44	13.70			
II	13.04	13.36	13.25	13.24	12.78	13.06	13.79	13.95				
III	14.14	14.70	14.08	14.61	13.77	13.92	14.35	13.60				
IV	12.52	12.74	12.66	12.61	12.20	12.33	13.17	13.44				

1/ Specific order differentials to be added to this base price are located at www.ams.usda.gov/dyfm05/mib/cls_prod_cmp_pr.htm